

**MINUTES
KITTY HAWK TOWN COUNCIL
Recessed Meeting
Monday, June 11, 2012
Kitty Hawk Town Hall - 9:00 a.m.**

AGENDA

1. Call to Order from June 4, 2012 Council Meeting
2. Approval of Agenda
3. Consent Agenda:
 - a. April 16, 2012 Council Minutes
 - b. Acceptance of Contractor for Post-Storm Facility Repair
- *4. Agreement – Between the Town of Kitty Hawk and Gerry and Shelley Gallagher for a Dune Walkover (*Removed)
5. Fiscal Year 2012-13 Budget Discussion
6. Schedule FY 2012-13 Budget Public Hearing
7. Public Comment
8. Recess: Monday, June 25, 2012, 6:00 p.m., for the FY 2012-13 Budget Public Hearing

COUNCIL MEMBERS PRESENT:

Mayor Clifton Perry, Mayor Pro Tem Gary Perry, Councilman Ervin Bateman, Councilwoman Emilie Klutz and Councilman Richard Reid

STAFF MEMBERS PRESENT:

Town Manager John Stockton, Town Clerk Lynn Morris, Town Attorney Steve Michael, as well as, Finance Officer Mike Eubank, Planning Director Joe Heard, Fire Chief Lowell Spivey, Police Chief David Ward and Public Works Director Willie Midgett

1. CALL TO ORDER FROM JUNE 4, 2012 COUNCIL MEETING

Mayor Perry called the reconvened meeting to order at approximately 9:03 a.m., followed by a brief welcome.

2. APPROVAL OF AGENDA

Upon Mayor Perry removing agenda item #4, indicating further information needs to be obtained for the dune walkover agreement, **Councilwoman Klutz moved to approve the agenda with the deletion of item #4. Mayor Pro Tem Perry seconded the motion, followed with a unanimous vote of 5-0.**

3. CONSENT AGENDA:

a. April 16, 2012 Council Minutes. *An affirmative vote for the consent agenda will approve these minutes.*

b. Acceptance of Contractor for Post-Storm Facility Repair. The Town has received one bid, and Public Works Director Midgett suggests Council accept the proposal from Sanderling Construction, Inc., as the contractor to repair Town facilities in the situation of an emergency event. The contractual term will be from July 1, 2012 through June 30, 2013. This is a requirement for FEMA reimbursement. *An affirmative vote for the consent agenda will approve this bid.*

Mayor Pro Tem Perry moved to approve as promulgated. Councilwoman Klutz seconded. A vote was taken and carried unanimously, 5-0.

***4. AGREEMENT – BETWEEN THE TOWN OF KITTY HAWK and GERRY AND SHELLEY GALLAGHER FOR A DUNE WALKOVER** (*Removed)

5. FISCAL YEAR 2012-13 BUDGET DISCUSSION

As a way to open the discussion, Mayor Perry suggested first answering questions regarding the budget as presented and then addressing any recommended changes, followed by the tax rate issue.

At this point, Councilman Bateman asked to be excused in order to get some meeting materials from his truck. He returned momentarily.

There were no questions or recommended changes presented by Council members.

With regard to the tax rate, Mayor Perry indicated he spoke with Finance Officer Eubank prior to the meeting starting, noting FO Eubank will be presenting to Council some updated information. The Mayor explained last year's budget had \$610,289 set aside from reserve. There is a possibility the Town will only spend approximately \$200,000 of that amount. This year's budget has \$756,838 set aside for reserve to supplement the current budget. The Town has \$3.5 million in its emergency use fund. There is approximately \$150,000 in the fund for parks and trails, about \$7,500 in IT, and \$465,000 in the new fire truck fund. If the Town were to move forward with the proposed budget with the recommended reserve of \$762,000, and if all of last year's reserve fund is spent, the money left over to balance the current budget would be short \$263,000. However, if the Town only spends \$200,000 of last year's budget, there is the possibility to have about \$150,000 left over.

Councilwoman Klutz recalled that when Council last discussed the Town's fund balance, there was the chance it would be wiped out if there was no tax increase. She asked, *Is that what*

we're talking about here? Instead of wiping it out, we'd have \$150k, perhaps

Mayor Perry: *If Mike's figures come in right and we receive all of that stuff ... isn't that right, Mike? That's all up in the air, because, we've got money spent we haven't received, about \$100,000 to FEMA, I think, and the money for the Sandy Run Park is about \$100,000 from Dare County, or the Tourist Bureau, [an interjected comment indicated 'Tourist Bureau' as correct] that we've spent. We've paid for it, but we haven't received that money. That's a part of having extra money so you can go ahead and spend it and then refund. I don't know what we're going to get back from FEMA out of that \$100,000, but anyway, that's still ... that leaves us, depending on what is taken out of this year's budget to play with, if we were to not raise taxes, that leaves about \$150,000, or we could go in the hole a quarter of a million dollars if we spent it all. Okay? That we still don't know for sure, but Mike's done some figuring. It's probably clear as mud.*

MPT Perry: *When you say, 'go in the hole \$200,000'*

Mayor Perry: *... that's out of the spending money, not those things we've got set aside. In other words, we've got \$3.5 million set aside, \$150,000 for parks and recreation or trails, \$7,500 for IT, and then the fire truck ... not going in them, then we would be going into the \$3.5 million to cover that.*

MPT Perry: *That's what I wanted to make sure I understand.*

Mayor Perry: *That's what we would be doing if we spent the \$610,000. If we only spend the \$200,000 out of this year's budget, then we would have about \$150,000 left in spending money that's not included in these things.*

If the three towns raise their taxes this year, say one of them raise it 2 [cents], one of them raise it 2 [cents], and one of them raise it 1 [cent], we'd lose about \$55,000 of our shared revenues we have figured we were going to get.

Klutz: *That's for next year?*

Mayor Perry: *That's for next year. This year, if they raise 2 cents, 2 cents and 1 cent, if three towns do that, and I don't know what input everybody has, we'd lose about \$55,000 of what we have figured we were going to take in out of this coming year's budget.*

That's about what ... and I don't know about other towns, I don't know what's going on. I thought we'd have a little better handle on things at this point, but I guess we don't.

Directing her inquiry to FO Eubank, Councilwoman Klutz stated the Town of Kitty Hawk has not raised its tax rate since 2002, the year it went up 5 cents prior to the re-assessment done in 2005. Eubank and the Mayor indicated such as correct. The average increase was 175% on the value. After the re-evaluation, Eubank noted, it dropped down to 18 cents, and Klutz pointed out the Town then did a revenue-neutral rate which is the same as not raising the tax. In the past ten-year period, Klutz continued, either the county or another municipality has raised taxes every year, which has had a negative effect on the Town's shared revenues, even during the boom time. Since the economy has gone into a downturn, Kitty Hawk has had big reductions,

and the Town of Kitty Hawk has made a big contribution to Nags Head's beach nourishment and will continue to do so.

Mayor Perry: *Our problem has not been the downturn that we've not been able to keep up with that. Our problem is what's been changed - the figure, the way they figure the income from the shared revenues. That has caused us difficulty, and it's because everybody's not trying to hold taxes down, and we're suffering for it. That's my opinion.*

Klutz: *So, we would lose \$55k, if we did not raise taxes?*

Mayor Perry: *No.*

Klutz: *If we raised taxes by some small amount, would we gain or would we just stay even with revenues?*

Eubank: *We would gain. The scenario that I've given you already was with no other tax increases and we raise a penny ... it comes to, I think, John, you've got that number there in that overlap, but I think it's about \$100 and*

Mayor Perry: *... and that includes the tax that we raise plus the shared revenue, right?*

Eubank: *Yes, it's a*

Stockton: *... it generates \$142,482, and then you have \$93,761 from your shared revenues. That's a total of \$236,240.*

Eubank: *Right, and that's assuming there are no tax increases with any other towns.*

Stockton: *Right.*

Eubank: *So, in all, again, I've got some spreadsheets so we can draw these 'what ifs?,' but I would rather do that with you all one-on-one rather than confuse you with a whole bunch of stuff up here on the screen.*

Mayor Perry: *But, the \$55,000, is it ..., if one town raises it 2 cents, another town raises it 2 cents, and one town raises it 1 cent ... that's just a scenario*

Klutz: *... well, the two 2-centers, I've been reading about those*

Mayor Perry: *... but see, I don't know what they're going to do ... I just included Manteo as a possibility. I haven't heard anything, and I don't know how serious the other two towns. About Nags Head, I don't know ... do you?*

Bateman: *I heard someone talking the other night, and they said they were going with no tax increase, but the board told them to go back and think about it.*

MPT Perry: *And, that's what's happening in Southern Shores and Kill Devil Hills.*

Mayor Perry: *That's where we are.*

MPT Perry: *Mike, in the unrestricted fund balance, because that's what we're all worried about ... The caption, 'unrestrictive fund balance,' I want to make sure ... there's seven categories on this sheet of paper, the last break down that you gave me, and I know that's not exactly up-to-date because things are changing as we speak, but, when it says, 'stabilization by state statute,' is that the 8% that we're required to hold back?*

Eubank: *No.*

MPT Perry: *What is that?*

Eubank: *That has to do with our payables at the end of the year.*

MPT Perry: *I don't understand.*

Eubank: *When we close the books on June 30, we can't ... it's like they freeze us in time, and we still haven't paid ..., we haven't even gotten, for instance, the county's ... Dare's collection system, that's like six figures, \$160,000. So, all of that, we have to go back as we receive these invoices, and book them to it. When the auditor gets here, she captures all of those payables and liabilities and puts them there as well as some of the receivables, so it's a big pile of money that basically doesn't change. In other words, I've seen it as high as \$896,000, just depending on how many payables we've got out there and what we've got going on as a Town, so that figure really has nothing to do with anything other than it's a plug-in figure that is adjusted by the audit every year.*

Mayor Perry: *Right now, you've got \$250,000 hanging out there.*

Eubank: *In receivables?*

Mayor Perry: *Yes.*

Eubank: *More than that ...*

Mayor Perry: *... with the sales tax and everything ...*

Eubank: *... that's the same thing. We do not even get our sales tax receipts until August, so I can't book a receivable until I even know ...*

Mayor Perry: *... but that's backed into this year, right?*

Eubank: *That will go back into this year's budget which is part of that 'what if?' I'm talking about, where we might only have to use \$200,000, because we're looking at ... we're right on the money with our budget this year, and so, that's a good thing when we start coming into the*

summer season and those revenues escalate, and so I'm hoping that's going to pull back on that \$600,000 in the hole that we've appropriated through a budget amendment process.

Mayor Perry: *That's where he's guessing, between the \$610,000 and the ...*

Eubank: *It's just a guess, but I've used history and where we were at this time last year, and so, that's what I'm looking for.*

MPT Perry: *So, 'stabilization by state statute,' even though it is listed under unrestrictive fund balance, is more or less restricted in the sense that we need to obligate that for the things you just said.*

Eubank: *Right. Again, it happens on June 30, but sometimes on July 1, it's reversed, and we throw it back into next year.*

MPT Perry: *Where I'm going with this is, we label this 'unrestricted fund balance,' but it's anything but, and that's a misnomer to the public because they think we have \$6 million, that we can do anything we want to with it, and that's not true, and let's follow on through that.*

Reserved fund balance, Powell Bill - that's for specific things, yet it's listed under unrestrictive fund balance. Reserved fund balance, drug enforcement - that's plugged in under unrestrictive, and I also see a negative number here. How does that work, because it's added to the total figure?

Eubank: *It's added to it, because it's an in and an out thing.*

MPT Perry: *All right. Reserved fund balance, emergency measures - that's where we set aside the money for emergencies, whatever those might be. So, that money is, in a sense, available to us to make up budget deficits and other things that might come along if we decide to use that for something other than hurricane ... we can do that.*

Mayor Perry: *That's right.*

MPT Perry: *Reserve fund balance, prepaid items ... what is that?*

Eubank: *We have several contracts that span the fiscal year. One is renewable in February. It's due in full. So, we pay a \$40,000 contract and we pay it through February the following year, so it's prepaid. And, we've got some rental agreements with ATV vehicles and things like that. It all overlaps, so some of that stuff is prepaid. Some of our motor vehicle taxes are prepaid. Before the end of the year, people pay them in June, and then it's credited that they are paying them for July.*

MPT Perry: *Then we have a 'reserve for subsequent year.' What is that?*

Eubank: *That is your ... that number you are talking about now, is the amount that we pull out to balance next year's budget. In other words, that should be \$756,868 if we're talking about next year. For this past year, it would have been \$510,000-something.*

MPT Perry: *And then we have the first word that says 'unreserved' fund balance, what is that?*

Eubank: *Are you talking about ... I'm trying to answer questions without seeing what you've got in front of you ... [light-hearted laughter as Eubank obtains document] ... on this particular balance sheet, this is adjusted down. If you were to add the \$184,000 and the \$577,000, that will come up to \$768,000. And we're dealing with that, so that particular balance sheet we've used to show whether we are in the hole or not to Council members, and right now, as of this particular day, we're approximately \$500,000 to the negative, so we've got to pull in all of our revenues to raise that back up, and I'm hoping that when all the dust settles, and we don't spend all of our budget expenditures this year, that we'll only have to appropriate \$200,000 out of the 'now' budget, plus amendment [off] \$610,000 that we could get dinged for if we really fell short – worst case scenario.*

MPT Perry: *This exercise that I've just gone through is to make sure I've got in my mind that an unreserved fund balance is anything but ... there is only a small amount of that that really represents something council could do different things with, make up different things with, because so much of that particular input into that is actually restricted to certain things – roads, paths, whatever it might be. It's not available to us to spend anywhere we want. Is that a correct statement?*

Eubank: *I would say that's about 75% correct.*

Mayor Perry: *Some of it is and some of it isn't. Some of it we can change, but it takes away from those things.*

Klutz: *Exactly.*

Eubank: *You can move anything you want in those numbers, except Powell Bill and the drug seizure money. You can take the \$3.5 million and put it in reserves, and you can take reserves and spend it to balance your budget, but you've got to go on record and do a Council resolution to do those things.*

MPT Perry: *We can't spend drug enforcement ... we can't move that*

Eubank: *... that's the one I was talking about. You can't spend that one ... that's the seizure money, that belongs to ..., only the police department can spend*

Mayor Perry: *... can't do that but we can do ... but then we lose what our plans are for the future.*

MPT Perry: *Okay. I just wanted to make sure that went on the record.*

Eubank: *Now, if I may insert something here, Gary, to go along with you ... we file an annual financial information report, which is on the North Carolina State Treasurer's site, and I got a call from a fellow finance officer right after we filed that, and she wanted to know, 'how come*

you guys have a 120% fund balance?!, ' which means, that not only can we pay our budget, but we've got 20% more, and that's because under that particular reporting document, they add all those things up that we're talking about and put it down there on the bottom line and call that 'unreserved fund balance,' including the capital reserves and all those things that we have designated that you just can't arbitrarily spend ... we've got them set aside for specific purposes.

But under that particular reporting document, there it shows up, and so, if the public gets a hold of it, the voting public, and you're complaining about not having enough fund balance, and they look at \$6 million, they wonder what's wrong with you all! It's really extremely complicated and is somewhat confusing if you're really trying to get to what you're trying to get to: how much money can we really spend?, and, how much do we have set aside to spend?

Mayor Perry: Without transferring any money ... we wind up, depending on what this \$610,000 or the \$200,000 comes in, if it's the \$200,000, we have \$150,000 to spend without transferring some money. If it comes in at the \$610,000, we'd be \$250,000, basically, in the hole. We'd have to pull from one of those other reserve places to do the year, if I understand that, and between the \$200,000 and the \$610,000, he does not know.

MPT Perry: And, I understand all that, but it's this ... the public sees 'unrestrictive,' the word. It's just wrong. It's not used correctly.

Mayor Perry: It's unrestrictive in the fact that ... we can actually get to it, but our best, maybe for the town's future, is for it to be there.

MPT Perry indicated readiness to offer a motion, and Councilwoman Klutz interjected:

I've got one thing that's kind of running through my mind about the difference between \$610,000 and \$200,000 – that's a pretty significant amount. Basically, we don't know in this final month whether we're going to spend \$410,000 ... you know, that's almost 8% of our whole budget.

Eubank: Historically, we're pretty much ... we've pretty much narrowed down what we're going to spend this month and there's the accruals when we get those bills, but even those, we can factor in, and when you look at our revenues to department expenditures, we're where we need to be. The revenues for the year-to-date were trailing, but when you talk about the budget numbers, they are right on the money, so if you look at it all, you think, 'oh, we're going to be \$500,000 short!,' but we've already got a lot of those revenues, and they're still to come in, and if ... they are running ahead.

Occupancy tax, in spite of the fact that we're dealing with a shared revenue deduction, and I had to reduce our budget \$100,000 because of it, we're now going to exceed the occupancy tax because it's up 6% ... see what I'm saying? And, on ad valorem taxes, we've collected 100% of our budget in money, but there's \$40,000 lying on the table that people are still going to probably pay, 25% to 30%, because we have a 99.86% collection rate. That money is going to come in. There are two distributions from the telecommunications we haven't even gotten yet, and they total in at about \$150,000 a quarter – there's \$300,000 more. Sales tax, we've got May, June and April – three months of sales tax, all good months, technically. Occupancy tax, two more months

Klutz: ... so it's all on the revenue side

Eubank: ... it's on the revenue side that is going to reduce that down

Mayor Perry: ... and it won't come in until July or August

Eubank: ... that's why I'm making that kind of projection, and hoping for the best. It does seem that we bounce back a little bit. If we had had a bad spring, you know we've had a couple of those, depressions, but

Mayor Perry: ... if we had had a storm set us back

Eubank: ... but we didn't have a storm to chase anybody away.

Mayor Perry: That's where we would have been and spent it. You see, when we take this, like put that \$610,000 and balance our budget, then we guarantee the budget can be finished by taking that out of the reserve. Hopefully, when you do that, and, in fact, the best way to do a budget is not to have it at all, but we've got to the point we had to do that. But, you're hoping revenues are going to exceed and come in better, but if you don't, you're guaranteeing the budget is going to be met by that amount of money.

Klutz: I only have one other thing and that is I don't have any changes or recommendations for the budget as it exists, but we did go out and ask the public in the newsletter to make some recommendations on how they thought we could reduce spending, and I'd just like to talk to those briefly.

One of them had to do with encouraging recycling and trying to come up with an incentive for people to use the commercial collection of recycling items. I believe we probably can look at trying to incentivize people to use the free recycling center, and maybe we could make some comments in the newsletter in regard to that and put it in the context of saving money on the regular trash collection by reducing the tonnage we have to pay tipping fees on. I, for one, don't think the Town is in a position to do any kind of incentive to try to get people to use the commercial recycling bin that gets picked up curbside in that we're trying so hard to reduce our spending and we really don't have money for what I think would be nice to have and not a proven way to actually save money on our trash collection.

The other one that came in had to do with Saturday collections at the beach, and although three times a week seems fairly excessive and it's only done on the east side of the highway, we went through that a few years ago where the Saturday collection was canceled and there was a whole lot of trash building up, and I think we've already learned a lesson that that was not something that saved us money.

Mayor Perry: We've tried that.

Klutz: We've tried that, and if anything, there are more people out there than there were back in that time.

Another comment that came in had to do not with a budget item but with charging non-Kitty Hawk residents at the Dare County recycling center for the C&D. I saw what came back

from the county on that, basically saying that Kitty Hawk, because we have to pay for the dumpster, can deny other Dare County citizens from using it. I really don't like the place that puts us when people who are paying taxes in the county may not know that the county gave us an opinion that says we can deny them access – they just see Kitty Hawk telling them they can't put their stuff there. I would be willing to say, if that's the case, if that's the final determination, then I think it would be better for us to just remove that capability than to have to alienate everybody that comes to the recycling center thinking Kitty Hawk is trying to rip them off or not cooperate.

After a light-hearted comment by the Mayor, Klutz continues: ... well, that would be a small savings in the budget, but I think it's more of a ... you don't want to build up resentment on the part of other people in the county because you're turning folks away who think, 'hey, this is a county capability and you're telling me as a taxpayer of the county

Mayor Perry: ... they get it explained to them ...

Klutz: I just wanted to bring up what had come in from the public and make some comments on it. I think we already have determined the suggestions that we have probably were not feasible for implementation.

Mayor Perry: Down to this end [attention being made to the seating arrangement], there's been not a word spoken

Bateman: I'm going to wait until Gary makes his motion and then I'm going to talk.

With the Mayor calling upon Councilman Reid, Reid said, I have no comment.

Mayor Perry: Whatever motion we do, I just want to make this clear, this is to send the budget to a public hearing. It does not restrict us on how we're going to vote on the final budget or if we're going to change whatever motion he's going to make, and I don't know what that is. That means, if I vote for whatever he does, it doesn't mean that we can't change it at the last minute when we do our final vote.

General discussion then addressed the public hearing advertisement including the tax rate of council's action this meeting, with recognition the proposed tax rate may be changed again after the public hearing. Councilman Bateman posed whether or not Council could advertise for a public hearing to discuss the upcoming fiscal budget without proposing an adjusted tax rate prior to the public hearing, and the Mayor and Manager both indicated a certain tax rate must be determined, although it could still be adjusted.

Mayor Pro Tem Perry moved that council raise the tax rate two cents from 18 cents to 20 cents, and he then stated if the motion carries a second, he has supporting comments to offer. Upon call by the Mayor, Councilman Bateman seconded.

MPT Perry opened his remarks: First of all, why only two cents? Why not more? We've been told, beat over the head, if you will, that we need four cents, so at a minimum ..., and we've been shown how much that would cost for different values and that sort of thing, and my reason for

raising it some is to make sure that we have funds to cover certain things.

You know, we've got the possibility of a compressed pay plan going forward. We've got storm drainage costs that we thought we were going to be able to maybe get some grants to help us with, but as it turns out, there's not much chance of that yet. We still need that to be planned for in the future, and maybe at some point, have enough funds to, perhaps, do it ourselves because the grants that were identified either don't meet that criteria or it's pretty iffy. That Clean Water grant, I think, is very iffy.

We need simple things to keep our code up to date. Right now, we've got that taken out of the budget, and, of course, because of the shared revenue and the crap shoot that's going on among the six towns and the county with that. That addition to the shared revenues has gotten everybody in trouble. So, those are just some of the reasons why I think we need to raise it.

Now, why not more than two cents? Well, first off, it would be a shock to the citizens. We still have to remember that citizens just underwent one of the most devastating storms in Kitty Hawk history, and even though some of those people had flood insurance, they were still not made whole. If you talk to 'em, they'll tell you. They had to rebuild in a way ..., or they didn't get all the money coming back to 'em. The other thing is there was a lot of people that lost a lot of equipment, mowers and other things that have to be replaced, underneath houses in Kitty Hawk Landing, I'm sure, and even cars and things. So these things have hit these people in a way we don't normally associate with, but they're out there, and people right now in a down economy are struggling to replace that sort of stuff.

So, those are kind of the reasons why I don't want to go over two cents, and then, of course, the re-evaluation next year. The re-evaluation next year we don't know what's going to happen, but the county's broke. The county's not going to get that much more revenue coming and we may have to do something more next year. That's my proposal. Those are my thoughts.

Reid: The only question I have is, is this like an ordinance amendment, in other words, if you're saying 'raise two cents,' that means we can't go higher but we could go lower after the public hearing?

Mayor Perry: After the public hearing, we could make whatever decision we want to hear after hearing from the public. We're still open to do that, but we have to advertise it at a certain rate, and then we can make the final decision after the public hearing. That's my understanding.

And I'll vote for his motion, but I don't know how I'll vote for the final budget, but I'll vote for his motion. I think it's reasonable in his thinking ... one of the things, two of the things that really bothers me about this is that people still don't have jobs. Some of them don't have jobs. The other thing is people that are under water with their house managing somehow to pay their mortgage ..., but if you add another \$100 or \$200 to their taxes that they have to pay, then that may slip them over the hump. It does have an effect on those people that are just barely or they have worked out some deal with the loan company that they can stay there and pay their minimum amount. That's another thing to look at.

And, the thing that has me really concerned is the re-evaluation next year. That really concerns me, what may happen, and I don't know what that is.

Mayor Perry asked for other comments.

Bateman: I would rather have, instead of showing our hand to the other municipalities, because

if someone says that Kitty Hawk's going to go up two cents ... we've got two [cents] from Kill Devil Hills and two [cents] from Southern Shores, and now everybody will say, 'we've got two [cents] from Kitty Hawk,' they're looking at the six cents we were talking about a while ago. What I would much rather do would be to keep it at the flat revenue and then go with the two cents later on. Now, the only bad part about that is then the public doesn't know exactly what our intentions are. I just don't like showing my hands, like playing poker – everybody knows what you're doing.

Mayor Perry: *I know.*

Bateman: *And, they might react on it.*

Mayor Perry: *I agree. That's why we're sitting here today instead of over it.*

Bateman: *I just want to throw this scenario out. Cliff, I understand where you're coming from. My neighbors, your neighbors, people in Kitty Hawk, they were all affected by the storm. They're down on their luck. I tell you that with the Relief Foundation that I've been blessed to be associated with, our forms of need that have come in, they used to be for debilitating diseases. Now they're coming in for people who have lost their jobs, they're losing their houses, they can't pay their car payments. They are not only related to diseases, but the major issues are the economic problems they're having, so there's a ton of them. Everybody has issues and that's a really sad situation, so I understand where you're coming from.*

And, I'm playing 'good cop, bad cop,' no offense to the police force, but on the other side of this coin, the two cents, it is going to get us through this year, it's going to make us all happy and Mike's going to be able to do what he needs to do. If you went four cents with this, it would put ... and you take that other two cents, and, for instance, like I was talking with him earlier, you're losing \$240,000 every year on depreciation. So, if you apply that two cents to depreciation, you'll be putting funds aside that we might need. I'm just throwing it out there. That four cents would put us in a much, much better situation next year when re-evaluation comes along, because I've been told that when the re-evaluation does come, we're going to take a hit like you'll never believe, and that's ... the girl in Manteo told me that they are looking at least 30%. That's a lot of money! The oceanfront's not going to take the big hit. What they say is Kitty Hawk Village is going to take a hit. They're going to slap us big time. So all of a sudden, our revenues are going to go down, we're going to start playing the games we've been ... and our people within the Town, our department heads have been so conservative on their budgets over the years, they've cut and cut, we've cut, we've brought them to task, everybody's met the challenges ... we need to raise some revenue, and the only way to raise revenue, that can, is through taxes, is through occupancy tax ..., and this shared revenue, and they've got us in a bad space. All we can sit and do is hope that someone else's actions don't affect us as much as it does, but there's nothing you can do about it except raise money.

So, the other side of the coin, as I was telling you, for you to think about in the next few days, is two [cents] and to think about the four [cents]. I know it's very unpopular, sorry, but it's business. It's just plain business. The salaries are going to continue to go up, the departments are going to want to increase services, they want the new fire trucks, they want the new police department vehicles and car cameras – all the things they need to do their jobs and to keep them safe and so forth, and these things are not going to go down in price.

The costs of goods right now are looking between 5.5-9% on everything that we purchase in the restaurant business. It's up that much. It's up also at your house. Look at a thing of spice or pepper that you used to buy that was \$2.20, and now it's almost \$4. You know, that's a 100% increase in price, and it's like that everywhere. Everything is going up, so we can't sit back and say, 'we'll just take \$75,000 here, \$100,000 from the fund. You know, according to the figures that I have here, the reserve fund, and I look at this as being under net assets, Gary, but the unrestricted funds we had to work from on the 30th of June were \$4 million, right, Mike?

Eubank: *The balance sheet?*

Bateman: *Yes.*

Eubank: *Again, ... [inaudible, away from mic] ... there are a lot of numbers*

Bateman: *... sure, but I'm just saying, I mean that's*

Eubank: *... that is the bottom line*

Bateman: *... we've got \$4 million, not to play with, but to operate. So, I'm just throwing that out to everybody.*

Mayor Perry: *And, how many services do the people really need, really want, and are we doing that? That's the bottom line. They've got to pay for it, and we've got to figure that out. I don't know, I mean, it's just all a lot of ifs and ups and downs on to it.*

Bateman: *Well, what it's going to cost me ... it is going to cost me \$240, that's a lot of money to some people. That's a lot of money for a lot of people who can't take that hit right now.*

Mayor Perry: *Yes, two cents is going to cost \$200. I'm not talking about me. I know how much less I get than what I used to get five years ago, but everybody's ..., some people are in bad situations, you know.*

Klutz: *I would like to say I would not consider a tax increase because of everything we've been talking about and the effect on our citizens had we not in the past, what turns out to be ten years, really done ..., and the Town employees and staff have a lot to do with this, we have gotten to the place where we have done everything we can to get to the place where we are funding the needs of the Town and not the 'nice to haves.' The 'nice to haves' that we have done, the parks and the trails, have been paid for by other sources. Now, those are still tax-paying sources, but they're not being levied by the Town of Kitty Hawk.*

I wouldn't want to go up any more on the tax rate than I feel is necessary, and I think two cents is a good figure because it addresses our continuing to meet the needs of the Town without the potential of wiping out the flexibility that we have to use the money that is not appropriated for any given year so we can do something, like do a Town-matching ..., not matching grant, but pay for something that we can get reimbursed for and give that amenity to the people of the Town.

People are hurting, and everybody in town, I think, is looking at their own personal

budgets and doing what they can to get rid of the things that they don't have to pay for, and as long as Kitty Hawk stays in that realm where we are tracking what the citizens are having to do in their lives, then I think we can justify with going ahead with the tax increase, a small tax increase.

We've already laid off people, we've cut spending, the departments have done a terrific job in saving money, and I'm not sure that there's anything left we can do.

Mayor Perry: *No, I think you're right about that, and the one positive thing we have done is we've maintained and let the staff get their 2% increase every year. I'm glad we've done that, but they have cut back on their municipal outlay. So, I'm ... everybody finished?*

MPT Perry: *How 'bout Richard? I've not heard from Richard.*

Reid: *I don't want to repeat what other people have said. I agree with almost everything everybody has said. I'm one of those people that just recently replaced two items from the flood. It took this long to decide to buy the new lawn mower and new dryer so I'm in the same boat everybody else is.*

Personally, I'm fine at this point, but I do worry about the future in terms of what the town has taken on in terms of the parks and the boardwalks and all that sort of stuff. Maintenance, future damages, I mean we're going into another hurricane season, and we're just now recovering, basically, from our last hurricane, and if we have another one hit this year, we're going to be hurting.

I agree with all of you ... we probably have to raise the taxes just to keep our head above water, and we've done ..., the staff has done a great job economizing. I think most of the ten years we've done that, at least the years that we've been in office ... maybe, not so much before that and I vote to put this forward for a public hearing and let's see what happens.

With hearing no further comments, the Mayor called for a vote on the motion, **and the vote carried unanimously, 5-0.**

Mayor Perry next stated: *I asked the Manager on Friday, and I'm not suggesting that we do this, but I wanted some figures on recycling. I've been giving it a lot of thought about the can [pickup container] recycling and asked him if he would find out how many households we have, what the Bay proposal people would charge us per household, and then what we would save by doing away with the Thursday pickup, what the landfill difference would be, what the pickup fee would be, the difference*

"I have no clue how that would come out, the savings you would make from one pickup and that much savings going into the landfill. It is just as an idea, not that I'm proposing to do it. I've never thought that was a good way to go, but it may be something we would want to look at. We could get an answer as to ... because there is some savings, and from what I've heard from people who are using it, most everything goes into the recycling can. In the beginning, when they first started this, it didn't. I just would like to know what the answer is to that, how much you save by not sending Thursday's pickup to the landfill. There are several things involved that saves you and how much it costs ... we're looking at \$8 something per household what they charge now, is it?

MPT Perry: *It's actually a different rate for Kitty Hawk than it is for Kill Devil Hills. I don't*

quite understand that, but it is running \$26 and change per quarter.

Mayor Perry: If he would ask them what it would be, if everybody did it, and then, if it was really as much as what goes in that can as we're talking about, we're all of a sudden going to be talking about the total tipping fees over there, not just the Thursday's tipping fees but it could make a big difference in that. I wanted to know what the figure was, but don't get the idea that I'm pushing recycling.

MPT Perry: That raises the question that if we found that to be advantageous, monetarily, what would happen to the recycling center. Do we still have to run that?

Mayor Perry: Well, this is ... this can all be taken into consideration because there are a lot of things that go in this. To cut out Thursday pickup, which probably could be done, but then you don't save the volume, you don't save the number of trips that they have to make to Manteo to dump their trucks and come back. You really don't save that much with cutting out the Thursday pickup because they've still got more trips, and they load up their trucks and go all the way to Manteo. You're not really saving anything on tipping fees, so that's not a savings, really, the best we can figure out.

MPT Perry: Back up a minute ... you are saving some things on tipping fees because with that can, the recycling can, it's amazing how full it gets and that's mostly air because it's boxes and everything in the world

Mayor Perry: ... but what I'm saying is, if we don't do the recycling and we just cut out Thursday pickup, period, and not supplement it with the recycling, then the volume is the same.

MPT Perry: Yes, that wouldn't work.

Mayor Perry: That doesn't save you any money. People are still talking about that. They probably can't do it all on a Monday. Monday's the big day anyway, and sometimes they're late getting through on Mondays, and if you've got the Thursday and Monday involved in Monday, you really don't save the money there.

But, I asked the Manager when he's got time to put all these figures together and see what it would do.

Klutz: And make sure you take into account that on the east side of the highway, there will probably be some sort of a seasonal rate required because you should be able to sign people up for either the whole year or seasonal. I know Outer Banks Hauling does that and they probably pay a little more for the seasonal rate, but they need to take all of that into

Mayor Perry: ... and he'd have to get the figure of what they'd charge us to do it all, because I don't know what that volume is. I guess it is cans, bottles, paper

MPT Perry: ... anything that's not wet garbage, basically. If it can be recycled in the plastic domain, and they take almost all plastics now, paper plates, whatever

Mayor Perry: *... anything that's not wet garbage, which has changed from the beginning.*

MPT Perry: *Yes, used to, I wouldn't go because you had to crush your cans and rip them and all ... you don't have to do anything of that.*

Klutz: *It's all together and I know where I live, people are getting one can and, for instance, I have one, and it serves three houses. Now, we're all permanent people, so we don't make the volume that the tourists do, but it really does cut down on what you put in the trash can. I don't even need pick up once a week.*

Bateman: *Same here.*

Mayor Perry: *That's what I'm looking at, and because that tipping fee, that whole thing changed tremendously, but let's just look at the figures. I'm not advocating we do it. I just began to think about the savings to go along with and don't have a clue what the man would charge for the recycling.*

MPT Perry: *What does Council want the Manager to do about Emilie's question regarding the C&D dumpster? And the kind of feelings that are out there because it looks like we're turning away people, that it's at a county-owned facility and they don't understand. As much as I enjoy being able to carry down an excess piece of lumber, an old rotten piece or something, to that dumpster, she's right. I think I'd rather do away with it than to have the hard feelings.*

Bateman: *You said C&D, is that large item pickup? Is that washers and dryers?*

Different responses were given by Council, but then Mayor Perry stated: *No, it is just building material, wood-type stuff, and not limbs either. An old rocking chair, old furniture.*

MPT Perry: *White goods, your appliances, those are recyclable.*

Bateman: *The rest of it, you could still take it to Manteo, can't you?*

Mayor Perry: *You can take it to Manteo.*

Bateman: *Then take the dumpster out of there.*

Mayor Perry: *A lot of people can't get to Manteo, which is the other side.*

Discussion began to take place about items the Manteo location does not take, but the comments were made all at once and some were unclear. MPT Perry's comments explained: *C&D is halfway between Stumpy Point and Manns Harbor. You've got to go past Manns Harbor.*

Bateman: *That's a long ways.*

Klutz: *I believe the county should pay for it.*

Mayor Perry: *At this point, I'm happy with the way we're approaching it. I may change my mind in the future. It's giving them quite a bit of heartburn down there, as far as ... but, if they raise their taxes, let them take care of their own mess.*

Klutz: *Either that or get the other towns to contribute.*

Mayor Perry: *That's something else, but I don't know, the county's got ... Martin's Point uses it right much, I think, but anyway, I'm not ready to get rid of it at this point. We may need to.*

MPT Perry: *How 'bout Richard and Ervin? Keep it or let it go?*

Bateman: *How much does it cost us a year?*

Mayor Perry: *We don't know.*

Stockton: *About \$20,000, I believe.*

Klutz: *\$20,000, for that one thing?!*

PW Director Midgett: *That's based on a two pickup per week average, two dumps per week. That's about the average cost.*

Klutz: *I can't see Kitty Hawk's tax payers picking that up for the rest of the towns and the county. I mean, let's face it. We've been suffering from their raising their taxes so that they can do whatever they want, and we're*

Bateman: *... well, my other question is, what are they telling them down there to make them feel warm and fuzzy about not being able to use it.*

Mayor Perry: *That's what I'm saying. That's all I can tell you. That's what they're explaining to them.*

Midgett: *The C&D is the only thing we do not take from any county resident. The reason being is if everybody from everywhere in the county brings stuff, the dumpster fills up in a day. I've tried a limit. If they have more than a half a truck load, we send them to Manns Harbor. They don't like it, but most of the locals have understood it. They realize ... now, we don't get that many loads. People that come in with full loads are people that are not Kitty Hawk residents.*

MPT Perry: *And, they're still coming but you turn them away?*

Midgett: *We do.*

MPT Perry: *And this whole thing started when contractors started really abusing that*

Midgett: *... yes, sir*

MPT Perry: ... and that started the whole scenario that we're now in to. Now we're trying to make a decision whether to keep it for the benefit of Kitty Hawk residents and understanding that everybody around us has heartburn.

Bateman: We're paying for it, it should be Kitty Hawk residents ... the contractors have a dumpster that they can put on site to take care of their stuff

Midgett: ... and we've tried ... they're not always perfectly honest. We do try to screen them out the best we can, and we explain to them, 'sorry,' but they need to put it in their vehicle when they quit a job and drive on to Manns Harbor.

Bateman: I agree. My vote is to keep doing what we're doing and make sure we're just as upfront as possible with the folks and go forward.

Reid: I agree. I believe we should keep it. I use the center very often, and I haven't used that particular dumpster that much, but when I do, I certainly enjoy having a place nearby, and of course, it's convenient to where I can drop it off when I come over here. But, yes, I think the other towns should pay.

Mayor Perry: If people would wait and put out when the big item pickup ... which is almost nothing now compared to what it used to be before we had that system down there. People just had piles of stuff out, what they took out of their house. Now, they can just throw it in the trunk and go down there.

If it continues to be a problem ... I'm not worried about the people in Southern Shores and Martin's Point, if we're paying for it ... let them do their own.

Klutz: I would also suggest, though, is that the Manager write to ... Kill Devil Hills has that

Mayor Perry: ... they have their own

Klutz: ... take that C&D stuff? But, I would

MPT Perry: ... I'm not sure Kill Devil Hills takes that C&D.

Klutz: I would be in favor of us writing a letter to the other municipalities and asking them, if they want to use this, then, how much are they willing to pay us to do that?

Mayor Perry: That's okay with me.

Klutz: Otherwise, inform them that their citizens need to understand Kitty Hawk is picking up the tab for that C&D stuff, and we will be turning them away

Mayor Perry: ... as of July 1

Klutz: ... as of July 1st, and if that is not what they want, then they should come over with some money so we can

Stockton: ... *that has been conveyed to Duck and Southern Shores, that we will no longer, that we won't accept anybody from Southern Shores*

Klutz: ... *in writing?*

Stockton: *Yes, in an email.*

Mayor Perry: *And, then, you've got Martin's Point. They've got an association up there. Anyway, we can discuss it again.*

Kayak Launch

At this point of the conversation and before moving forward with the next agenda item, the Mayor turned attention to another issue regarding the local kayak ramp:

The only other thing I've got before we go to public comment is the kayak launch is still not solved. Did we find out did they save it or just scratched it?

Midgett: *I'm fairly certain it landed up in the landfill.*

Mayor Perry: *And if it did, it should be their fault because there was nothing wrong with it except the hinge that we could have pulled up there to the boat launching place and fixed it in less than a day.*

Midgett: *Possibly, yes, sir.*

Mayor Perry: *I went and looked at it.*

Midgett: *I know that it was originally built by Northeastern Marine by some kayak launch people, the ones that put it in there. The county didn't put it in there to start with.*

Bateman: *Bill Jones donated it. His time and his money built it when we did the boat ramp down there. We did the whole boat ramp. It was all volunteer money and everything. So, they owe us a launch ramp.*

Mayor Perry: *And, the problem is now with the kayakers and what we're going to have to face with them and the boat ramp, the launching place. That's all the things I have.*

The Mayor asked for other comments by Council members, and nothing else was brought forward.

6. SCHEDULE FY 2012-13 BUDGET PUBLIC HEARING


After general discussion about optional dates for the budget public hearing, Councilwoman Klutz moved to schedule the FY 2012-13 budget public hearing for June 25, 2012, at 6:00 p.m. Bateman seconded. The vote carried unanimously, 5-0.

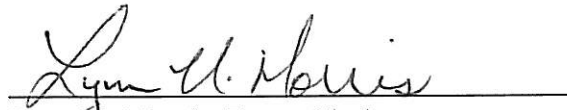
7. **PUBLIC COMMENT**

There were no comments brought forward by the public.

8. **RECESS: Monday, June 25, 2012, 6:00 p.m., for the FY 2012-13 Budget Public Hearing**

Upon call by the Mayor for a motion to recess to June 25, 2012, at 6:00 p.m., at the Kitty Hawk Town Hall, for the public hearing, **Councilman Bateman indicated, "so move." MPT Perry seconded. The motion carried unanimously, 5-0.** Time was approximately 10:11 a.m.


Clifton G. Perry, Mayor


Lynn U. Morris, Town Clerk

These minutes were approved at the *August 6, 2012* Town Council meeting.